OCTOBER 21, 1985 THREE DOLLARS

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Forbes

THE NEW GARBAGE BUSINESS

MONEY IN, MONEY OUT

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Cover illustration by Barrett Root

Trends

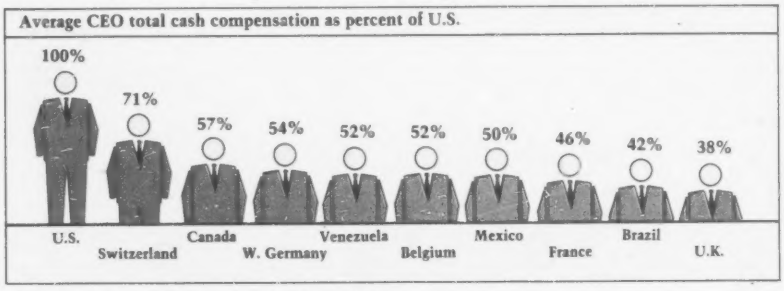
Edited by John A. Conway

Yes, ma'am, no, ma'am

Are men comfortable working for a woman? Are women? A report by two Texas researchers, Kris Moore of the Baylor business school and Charlotte Sutton, a doctoral candidate at Texas A&M, concludes that while men are considerably more at ease than they were 20 years ago, women chafe under female supervision. Writing in the *Harvard Business Review*, the researchers, who surveyed 786 executives, commented that "problems are particularly likely to arise when a younger woman supervises an older woman." They saw two possible reasons. One was that female executives might demand more of women than of men, sparking resentment among those who expected a feminine boss to be supportive. Another was the limited number of executive openings for women, which could cause fierce competition on the distaff side. The report, which compared results with a 1965 survey, found that male resentment had cooled—41% disliked woman bosses then, compared with only 5% now. The difference in pay, as ever, was a sore point. Most women, but only a third of the men, thought female executives "invariably" earned less. The Texas researchers claimed evidence that this is so. "Almost 48% of the men surveyed earn more than $100,000, whereas only 10% of the women have six-figure salaries."

Chiefs and Indians

Corporate chiefs are treated well in any country, but in the U.S. the treatment is royal. Total cash compensation—salary and bonus—paid to a chief executive running a $100 million U.S. corporation or division averaged $210,000 a year in 1984, at least twice the pay of counterparts in 13 of 19 countries examined by Towers, Perrin, Forster & Crosby, the New York City-based management consultants. A comparable British CEO, for instance, earned 38% of the American's salary; one in France, 46%; a West German, 54%; a Canadian, 57%. Closest to the American standard was Switzerland, where a CEO commanded 71% of the U.S. executive's salary. Even some Third World executives outdid the British, noted Robin Holloway, a TPF&C vice president and managing director. In contrast with the U.K., for example, a Venezuelan CEO earned 52% of the U.S. average and a Brazilian, 42%. Holloway thinks supply and demand can explain the differences. "Qualified local executives are scarce and in demand in Latin America," he says. "Hence they command higher compensation than the economy appears to warrant." And what was good for the chiefs applied to the Indians. A manufacturing worker in the U.S. averaged $12.82 an hour, highest for all 19 countries measured. The range was from Brazil, where a worker made 9% of the American paycheck, to Canada, where the average was 90%.



Corporate pay scales around the world
The news is good for both the chiefs and the Indians.

Conference by computer

Teleconferencing, once touted as the coming thing in communications, is still having trouble making connections. The main problem is expense. Renting a video teleconferencing room, for example, can cost up to $1,000 an hour. Also, the systems generally transmit only voices and pictures—no data. Travelers Insurance Co. wanted interoffice teleconferencing and brought in a couple of computer whizzes, brothers Gary and Neil Lewis of New York, to develop it. The result: hardware, software and a system that hooks up Travelers' Hartford, Atlanta and Orlando offices via an existing IBM computer network at a cost of $60 per hour for an average of four hours a day. Along with live data, it transmits still pictures; voice is added by phone. To exploit the idea, the Lewises formed American Video Teleconferencing Corp. to market it to the more than 2,000 companies, subsidiaries and organizations with IBM mainframe computers connecting various cities. (They will pay royalties to Travelers for any systems sold.) The company raised $1.6 million for 900,000 shares in a public offering in June. The Lewises say they are talking to several potential customers, but only Travelers has signed so far.

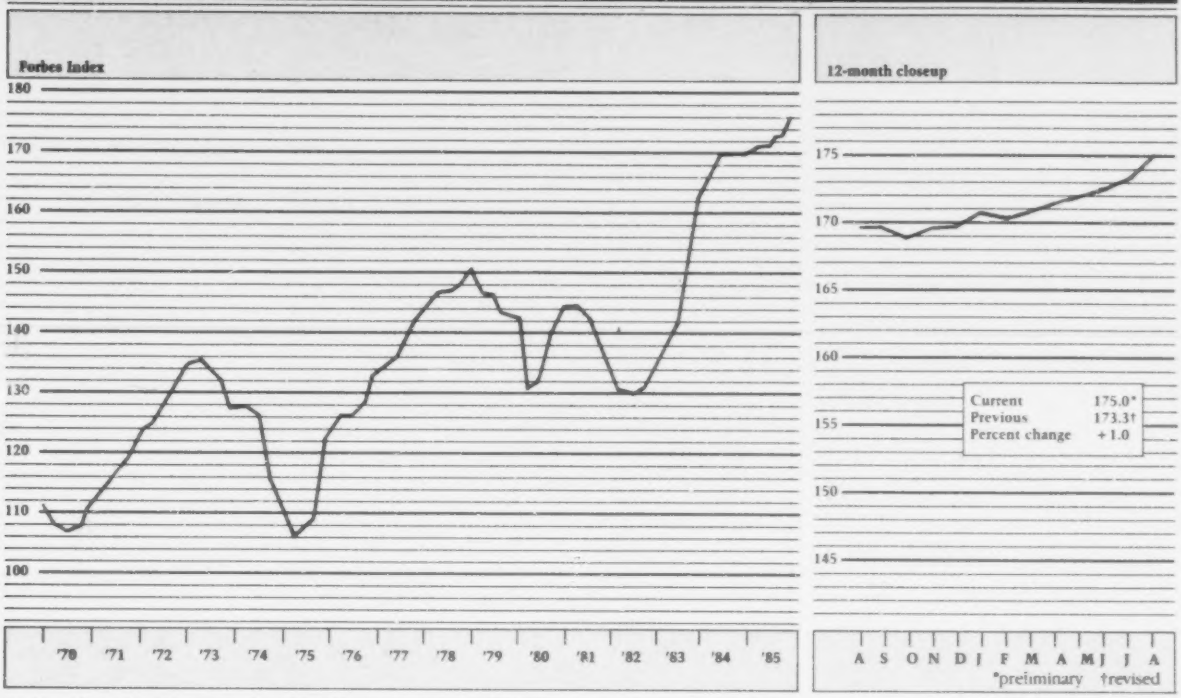
A gift from OSHA

The newspaper reader's pet peeve—ink that rubs off on fingers and clothing—may soon be a thing of the past. And the credit goes to the much maligned federal Occupational Safety & Health Administration (OSHA). Effective Nov. 25, a new OSHA "hazard communication standard" will require that any material containing more than 0.1% of a substance considered dangerous must carry a label stating the risk. The standard says that some untreated naphthenic oils, which make up 60% to 90% of printing inks, have been found to cause skin tumors on test animals. To head off potential uproar from printing unions and readers, newspapers are switching away from the old inks, and ink manufacturers are rewriting their formulas. The benefit will be that the new inks will eliminate or greatly reduce the ruboff nuisance. The drawback is that they will cost perhaps 75% more than the old blends, and ink makes up about 1% of the costs of newspaper publishing.

Another garbage solution?

The U.S. has 15,000 municipal garbage dumps, many of which must eventually close, either because of limited capacity or because they do not comply with federal Environmental Protection Agency standards. *(See story, p. 120.)* Garbage-to-energy has long been ballyhooed as the answer, but only a handful of such plants are

The Forbes Index



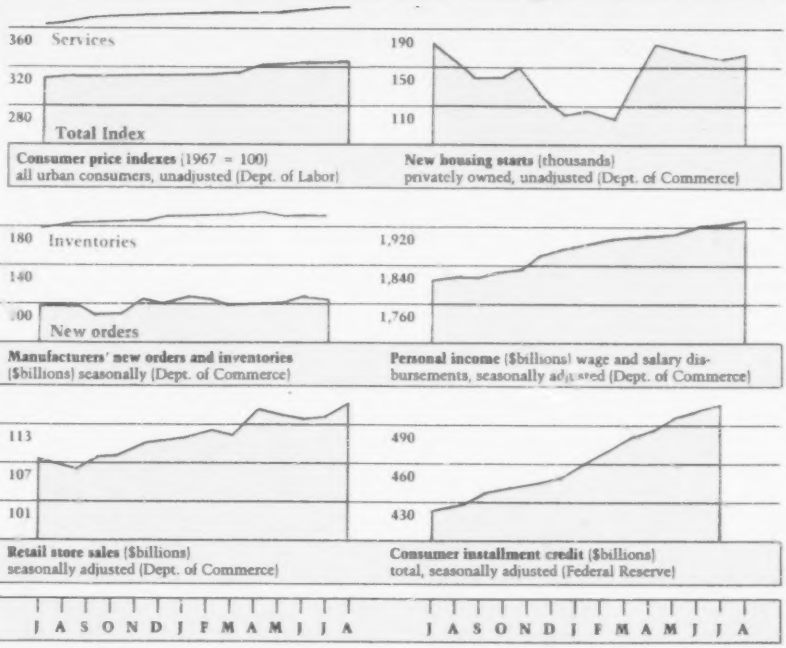
A day of reckoning may be ahead. Economic activity has picked up, but consumers could run out of money. Consumer installment credit is up 0.9% from the previous month, up 15.7% from a year ago. Consumers may soon be forced to pay off their credit cards rather than increase their purchases of goods and services.

For now, however, the economy is rolling. The Forbes Index shot up 1%, to a new record high. Industrial production registered a small gain over month-earlier results. There was a 0.6% month-to-month rise in personal income, which now stands 6.4% higher than it was 12 months ago. Meanwhile, the Consumer Price Index gained only 0.2% from the previous month and 3.4% over the last year.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.


360 Services
320
280
Total Index
190
150
110
Consumer price indexes (1967 = 100) all urban consumers, unadjusted (Dept. of Labor)
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
126
124
122
180 Inventories
140
100
New orders
1,920
1,840
1,760
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)
Manufacturers' new orders and inventories ($billions) seasonally (Dept. of Commerce)
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
250
350
450
113
107
101
490
460
430
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
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Think of a job that nobody could pay you enough to do, and plunge right in. At first the hours will be inhuman and the work will probably be unromantic, but you'll be your own boss. Welcome to the wonderful world of small business.

Do you really want to be your own boss?

By Richard Greene

DAN JONKHOFF STILL remembers the day 27 years ago when he startled a kindergarten classroom filled with assembled parents by standing up and announcing proudly that he wanted to be a funeral director.

That shouldn't really have startled anyone. Jonkhoff's father, grandfather, great-grandfather and great-great-grandfather were funeral directors. On a maple-lined street a couple of blocks from downtown Traverse City, Mich., Jonkhoff, now 32, and his 57-year-old father run a funeral parlor in a 100-year-old, 40-room mansion.

What the business really nets is known only to the Jonkhoffs and their accountants, but the family lives well by the standards of this small town, drives good cars and is well respected. Unlike their autoworker neighbors and customers, they don't have to worry about being laid off. And in the end, they own a recession- and inflation-resistant business, not just a dubious pension. There is a price: "My Dad or I are always here, at all times," says Dan, whose younger brother Tom is just starting work at the parlor. "Twenty-four hours a day, 365 days a year. That's how this business has to be run."

Marc Pokempner

Jack Jonkhoff and heirs to his funeral parlor, sons Tom (left) *and Dan* (center)
A recession-resistant instead of a dubious pension.

When Americans think of small business today, they tend to picture the daring 25-year-old entrepreneur who takes an M.B.A. and a new idea for a videogame and turns them into a Mercedes in the driveway and a yearly trip to the islands. But Silicon Valley-type businesses are only the glamour side. Most small businesses are just that: small, limited in scope, and hard, hard work.

Middle management is practically nonexistent in this territory. Owners are more frequently found on the factory floor or in the kitchen or at the cash register than behind walnut desks. They'd better be. There's such a thin line between success and failure that goldbricking employees or a manager with his hand in the till can easily push you over that line. Equally important, since you rarely have a unique product or a technological edge, the constant presence of the boss and the superior service that results are often the competitive edge these outfits need to compete with larger firms.

The Small Business Administration defines small businesses as those with fewer than 500 employees. But for every 1 with over 100 employees, there are 46 with under 20; of the 5 million or so establishments with employees that meet the SBA's criteria for small business, 3.9 million have between 1 and 19 employees (including the owner and his family). Moreover, although more of these firms start up every year than fold, 8 of 10 go out of business within ten

years. The odds of any of them turning into an Apple Computer are almost nil.

Forget the glamour stories of the guy who started in a garage and ended on top of the world. The reality of small business is quite different. Even the real success stories in this area lack that taste of glitz and glory that popular literature claims is the hallmark of small business today.

Take Clifford Evans, president of Raritan, N.J.'s Henderson Corp., a construction company *(see box at right)*. He has 70 year-round full-time employees, but he still spends most of his time at sites and is not above turning off the office lights when he goes home at night. Or Morey Moss, a Florida wholesale florist who frequently puts in Saturday or Sunday at the office—sometimes both. "If you have a big wedding and the roses are the wrong color, you'd better make good," he says.

Or take the Zehnder family, which runs Frankenmuth's Bavarian Inn in Michigan. "Every day I see my wife in the kitchen," says paterfamilias William Zehnder Jr., "and I ask her what's she doing, and she says she's changing a recipe. She'll say, 'The squash came in today a little watery, and so I'm fixing the recipe so it won't come out watery.' "

According to SBA statistics, small companies were responsible for 948,000 new jobs in 1981 and 1982, the latest years for which statistics are available. That equals the entire net increase in the U.S. work force in those years. But, contrary to popular belief, most of these jobs have not come from businesses in hot, fast-growing new fields. The vast majority of the successes among small businessmen are people like Zehnder, Moss and Evans who haven't discovered any magic formula or moved in on a new concept. They thrive in mundane, old-fashioned businesses, the type you would expect to see swallowed by the first big competitor on the block.

For example, mom-and-pop business is alive and well in automobile repair, where both K mart and J.C. Penney beat a hasty retreat. Take a look at the list of industries still at least 60% dominated by small businesses, according to the SBA. Nary a one doesn't include some giants: residential building contractors, public warehousing, hardware stores, bakeries, new and used car dealers, auto and home supply stores, women's ready-to-wear stores and furniture and home furnishing stores.

Some more? Household appliance

Human oilcan

Cliff Evans, president of The Henderson Corp., a construction company in Raritan, N.J., says he thinks of himself as an intelligent oilcan. "I have to keep looking for whatever piece of the business is rusty or needs lubrication," he says. "Recently I was hovering close to the estimating group. Next I'm going to start squirting myself into the marketing department."

With sales of about $75 million and 70 full-time year-round employees, Henderson is at the extreme upper range of small business. It has put up buildings for such companies as Schering-Plough, Becton Dickinson, Squibb and Johnson & Johnson, going *mano a mano* with giants like Bechtel. Evans, an articulate man with a dry wit, has been with Henderson for about 11 years, and he and his partner, Ed House, are in the last stages of paying off their buyout from founder Paul Henderson.

Getting a founder to give up his child is a touchy business. "As the lawyers endeavored to put [the deal] on paper, an atmosphere of potential hostility began to develop," says the Cornell-educated Evans. "So we said, 'Screw this,' and threw the papers out and shook hands."

Evans insists that a similar trust between his firm and his subcontractors is what has allowed Henderson to compete successfully with big contractors for local jobs. "Subcontractors are, for the most part, a greedy bunch of dogs yapping at the general contractors' heels," he says. "So you can always play them off against each other. But we have a reputation for treating them fairly and paying them promptly. The big contractor may not have that reputation."

Proud though he is of the advantages of smallness, Evans admits he will have to change some of his ways. Take marketing. "We used to give a potential client a list of past clients, tell him to pick three at random and call them. That system doesn't always sell the job anymore. The biggies bring in a dog and pony show, with sound effects and visual aids, and they dazzle clients." Evans will have to follow suit, but he knows that slick audio-visuals are no substitute for the personal touch.—R.G.

Joyce Rand

From left: Henderson Corp.'s Cliff Evans, Paul Henderson and Ed House
"We threw the papers out and shook hands."

Father Earl Barker and son Roderick of Durango, Colo.'s Strater Hotel Patricia Barry Levy
Bosses who go around dusting the counters.

stores, eating and drinking places, drugstores, liquor stores, insurance agencies, real estate agencies, hotels and motels, laundry services, beauty shops, funeral services, advertising, credit reporting and collecting, wholesale electrical goods, wholesale machinery, equipment and supplies, wholesale chemicals, medical and legal services, and nursing and personal care facilities.

Yet these millions of small businesses must survive in a jungle where giant beasts prowl. McDonald's and Pillsbury's Burger King have killed thousands of small luncheonettes. Independent pharmacists are struggling to keep up with the one-stop-shopping techniques of such big chains as Rite Aid or Eckerd Drugs. Independent bookstores have been pushed aside by the likes of K mart's Walden Book Co., which can undersell the independents by 30%.

Undercapitalization is more of a hazard than ever. Five years ago there were nearly 300 machine shops making small metal parts in the Detroit area. With computers now almost a necessity in that line, the number has shrunk to 200. The lumber business in the Northwest is no different. "The small privately held lumber mills have been gobbled up by the majors," says Stanley Geffen, managing partner of Laventhol & Horwath's Portland office. "The small operators don't have enough capital to get through the bad times."

Indeed, opening the doors of a small business is like unlocking a Pandora's box of ulcer-producing problems. Have you tried to get a telephone put into your home lately? Imagine what it's like to arrange for an officeful of

'Tennessee government never rains on our Parade.'

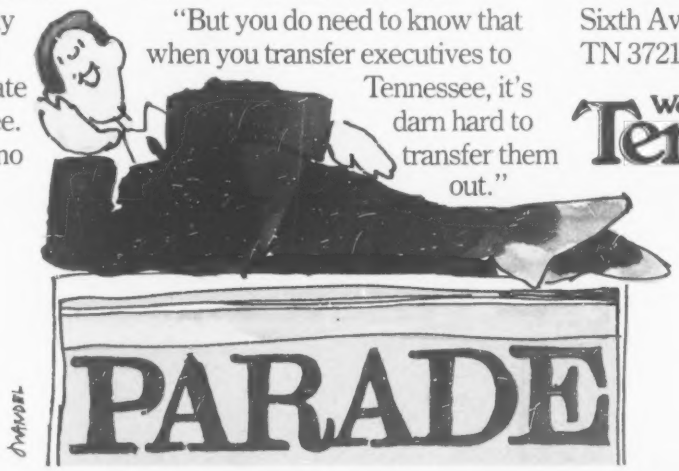
Carlo Vittorini, Diversified Printing Corp.

"Parade Magazine's move to Tennessee was profitable from day one.

"Corporations receive a one percent tax credit and pay no sales tax on industrial machinery. There's no state property tax in Tennessee. And our employees pay no state income taxes.

"Just as importantly, you live and work with folks who're proud of their traditions and values.

"But you do need to know that when you transfer executives to Tennessee, it's darn hard to transfer them out."



Let Michael J. DuBois tell you more. Contact him at Economic & Community Development, 320 Sixth Ave., N., Suite 807, Nashville, TN 37219. 1-800-251-8594.

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phones and maybe a switchboard. Insurance, utilities, licenses, periodic lawsuits, advertising, paying off the appropriate local officials—the headaches don't stop, and the small businessman has to deal with each one himself. In urban centers crime is a problem. Liquor stores, for example, used to be a nice business for an aging man and his wife. No more.

In cities like Boston, San Francisco and New York, owners looking to renew five-year leases are facing overnight rent hikes of 40%. Then there's the increasing complexity of tax laws and government filings, which can cost $5,000 to $10,000 a year in fees to specialists like tax accountants. Gone are the days when your Uncle Max could pay his bills out of the cash register at the end of the week and live on what was left.

Want heartbreak? You work all your life to build something for your kids, and the cherished child returns from college with a diploma and a disdain for the family business. He wants something nice and clean with regular hours. How many M.B.A.s want to be undertakers?

Success itself can be a booby trap. Growth probably kills as many small companies as undercapitalization. "You start to develop a hierarchical structure, you begin to get specialists," says Clifford Evans of Henderson Corp. "Pretty soon you have Department A passing things on to Department B. You have fewer people who feel responsible for *the* job instead of *their* job. There's some critical point, and I don't know where it is, when top management becomes concerned with running the company rather than running the project."

So why, despite huge odds and problems, do some small businesses succeed nicely? What's the difference between those that fold up as soon as a big-name competitor moves into the neighborhood and those that hang on indefinitely or even drive the big name into submission?

In some cases the answer is that major suppliers or customers want it that way. Ford and GM wouldn't relish negotiating with anyone who owned all the automobile dealerships in Illinois, say. For the same reason, the airlines provide flight information to any travel agent who can afford a computer terminal. General Electric is well known for fostering multiple sources for partsmakers and other subcontractors. GE will even provide technical knowhow to help keep a struggling manufacturer afloat.

Sometimes it's just a matter of doing it better than the big guy. Take Bob Mills, president of tiny Mills Products, Inc. of Detroit. General Electric is about 2,000 times its size, but Mills says he produces 40% of all the glass windows for ovens that GE (and other manufacturers) sell in the U.S. Why doesn't GE do it all in-house? Believe it or not, it can't make an oven window that is more leak-resistant, heat-resistant and price-competitive than Mills'.

About 20 miles away is J.L. Schroth, which makes rubber parts for automobiles. Says its founder, Jim Schroth, "I got a call on a Wednesday from an engineer at Ford who needed a little part shaped like a strawberry. I got the company next door, which does prototype stamping, to make part of the thing up. My toolmaker put all the people he needed on it, and I delivered the parts to Ford on Friday. It would have taken them weeks."

Other small businessmen survive because they are effective in exploiting their own lack of bureaucracy. In Madison Heights, Mich., Henry Brasza's H&L Tool Co. was almost totally dependent on Detroit's Big Three for sales of its screw machine and cold header products. So when General Motors went on a 71-day strike in 1970, says Brasza, "I got out and pounded on doors. And that's how we got the idea of breaking into the Canadian market. Now we ship a lot of parts to Canada, and they're paying American dollar prices because of the quality and the good delivery."

Henry Brasza is proud of the fact

Where the action is and isn't

In Washington the Small Business Administration's idea of "small business" is any enterprise employing fewer than 500. That's a long way from family-run funeral homes and such, but there you are. The SBA does keep track of all sorts of businesses, though, and its data on success and failure are revealing. Here, two interesting summaries.

First, ten fields dominated by small businesses where the SBA says the failure rate is lowest.

Second, the ten small-business-dominated fields that grew the fastest, as measured by employment, from 1983 to 1984.

Fields for the faint at heart . . .

Industry	Failures per 100,000 in 1983
Funeral services and crematoriums	10.9
Wholesale tobacco and tobacco products	22.6
Fuel and ice dealers	36.2
Laundry, cleaning and garment repair	38.0
Drugstores	39.7
Hotels	40.4
Wood products	44.7
Personal services (secretarial, consulting, etc.)	45.2
Beer and wine wholesalers	45.7
Service stations	46.2

. . . and for follow the leader

Industry	Increase in employment from October 1983 to October 1984
Radio, TV and miscellaneous stores	20.8%
Computer and data-processing services	18.8
Inner-city highway transportation	18.8
Roofing and sheet-metal work	18.8
Masonry, stonework and plastering	16.3
Painting, paperhanging and decorating	14.7
Carpentry and flooring	14.5
Transportation services	14.0
Highway and street construction	13.9
Miscellaneous retail stores	13.8

"You know my name"

It's after 6 p.m., and Sanitary Dry Cleaners of Laconia, N.H. is closed for the night. But every time somebody comes to the door, proprietor Pamela Swenson or her husband, Paul, who happens to be visiting the store, jumps up and answers it. Who knows? It might be a new customer.

"There's this little lady about 75 years old who travels about a half-hour from Concord to do her dry cleaning with us," says Pamela. "She likes pleats down the side of her jacket, which most people don't, and we know she likes the plastic garment bags folded and stapled at the bottom because she's worried about dust. And we know what to talk to her about, so she likes spending a little time with us, chatting with us."

Pamela Swenson is one of the 3 million U.S. women who now own and operate their own businesses. In 1982, anticipating college expenses for her two daughters, she decided it was time to start contributing to the family till. She bought Sanitary Dry Cleaners, which has a cleaning plant on the premises, from a neighbor.

Unfortunately, they got into the business when interest rates were running at about 14%. Says her husband, a local accountant, "In the beginning, we were just getting by with the note payments, and Pam kept asking me about a salary, and I kept saying, 'You're building equity.' But now she can take out a salary that's better than she could earn if she were working for somebody else in this area."

Nobody's going to get rich from Sanitary Dry Cleaners. But it's a living, and it has its triumphs. "There's another dry cleaner down the street," Pam says. "And it is much more convenient for one of my customers because it's just a block and a half away from where he lives. But he started coming in here. I asked him why and he said, 'I've been going to that other place for six months, and all I get is a hello when I walk in the door. You know my name.' "—R.G.

Richard Howard

Stacey, Pamela and Erica Swenson of Sanitary Dry Cleaners
Answering the door even after the shop is closed.

that since he founded his business in 1946 he has never laid off anyone. Of course, of his 75 employees, 7 are family—a wife, daughter, son-in-law, brother and 3 grandchildren ("I started my grandson cleaning the urinals," he says proudly, as his grandson blushes). When times are hard, "We clean the machines, check the machines out, paint the building, anything," he says.

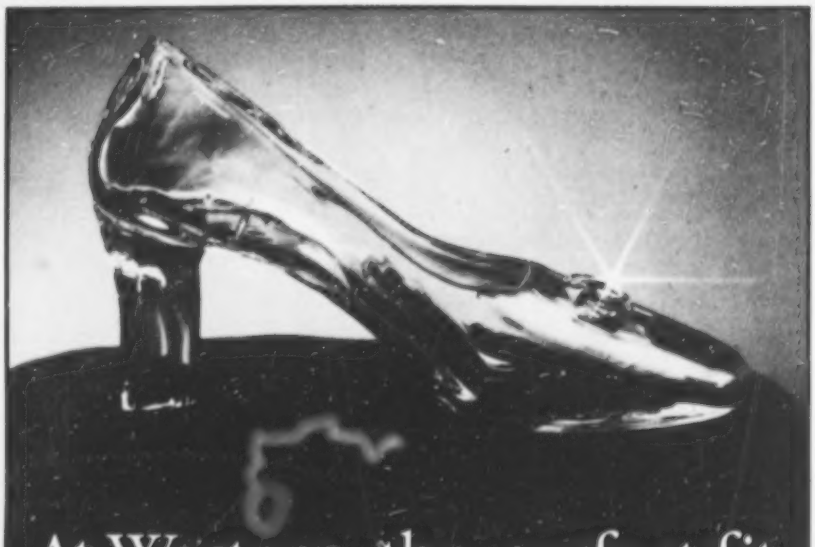
Not surprisingly, Brasza's shop is nonunion, and that's true of the vast majority of mom-and-pop businesses. To get good help they often pay competitive wages, but they get a lot more flexibility from their work forces than union shops do. A small company can't afford to have an electrician who won't pick up a hammer or a machinist who won't push a broom from time to time.

That means the owner must be cheerleader as well as manager: Virtually all the small businessmen FORBES talked to said motivating their workers is the most important job they do. "When your employee sees you busing a table or clearing a plate, it's hard for him not to follow," says Roderick Barker, who, with his father, Earl, runs the historic Strater Hotel in Durango, Colo. "When the boss goes around dusting the counters, it shows pride in the place, and the employees become proud of it, too."

Small firms are not always at the mercy of big ones. "An independent appliance dealer can be profitable making $65 on a $350 television set," says Stephen Kesh of accounting firm KMG Main Hurdman. "But the national chain applies administrative costs to that $65 and loses money."

In other cases, small firms compete by banding together. That has been the key to survival for independent hardware stores, which account for virtually all the outlets in this $10.3 billion market but are hard-pressed by do-it-yourself chains, such as Scotty's, Lowe's and Sears. Cooperative buying groups, such as Hardware Wholesalers, Inc., allow them to get competitive wholesale prices.

Florists, too, can function as though they were part of a national corporation through the 75-year-old Florists' Transworld Delivery Association—FTD. Call a florist in Des Moines and you can have flowers sent to Houston in a matter of minutes, just like a national chain. Rod Barker's Strater Hotel belongs to the Association of Historic Hotels of the Rocky Mountain West, a 16-member group that also includes the Franklin Hotel in Deadwood, S.D. and the Irma Hotel in Cody, Wyo. Each member pays $300



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REACH THE AFFLUENT IN FORBES

One out of every 5 FORBES subscribers is a millionaire

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Is the battle for survival worth the price? For the small businessman who makes it, the rewards can be substantial. "Some of my clients have net worths into the millions," says Walter Bernard, a partner with accounting firm Seidman & Seidman, who works with small suppliers to the auto companies. "They make more than senior executives of the Big Three."

Then there's that great unmentionable benefit, tax—or rather nontax—advantages. Small businesses are likely to leave less of a paper trail than big ones and are less likely to be worth the IRS' time. Who's to know what the real income is of a cash business such as a restaurant or a dry cleaner? Every year at audit time, there's a thriving business in lower Manhattan in out-of-date calendar books, call it ex post facto accounting.

Don't come home every night and relieve your tension on the family. Instead of telling them what a rough day you had, tell them how good it feels to be your own boss. . . .

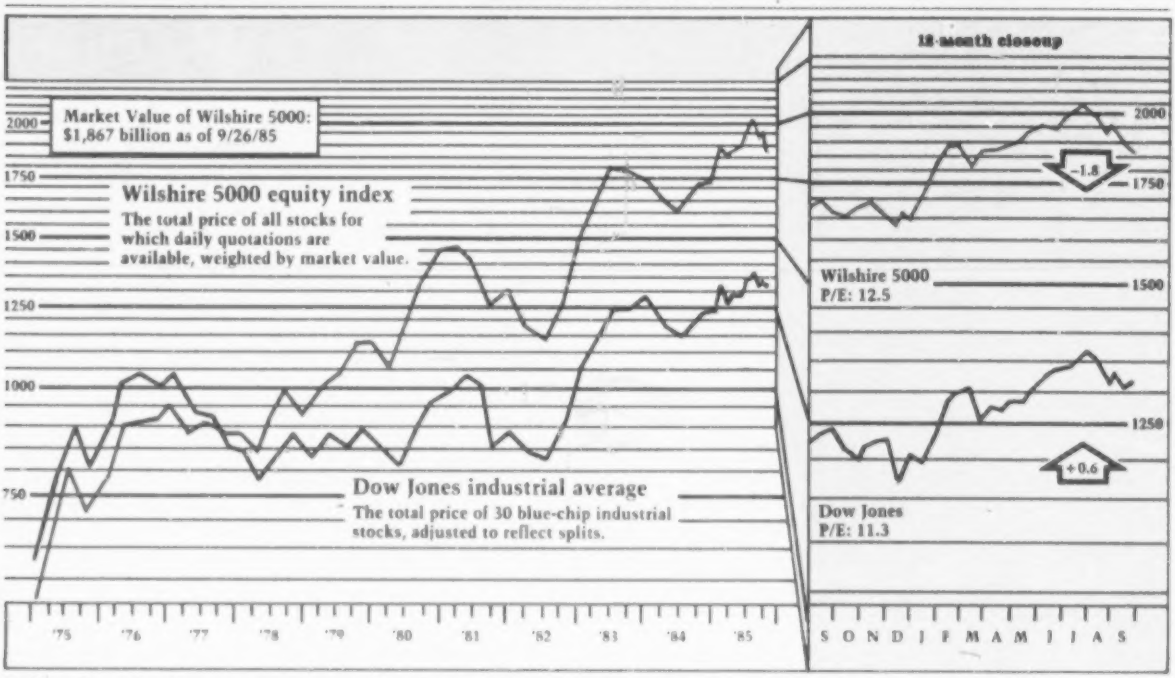
The advantages, however, don't come cheap. "Take any small Chinese restaurant," says Ernest Ten Eyck of Laventhol & Horwath. "If you added up all the hours that family puts in, they're probably making less than $1.50 an hour apiece. Even McDonald's can't operate cheaply enough to compete with that."

And so it is that small businesses are starting in the U.S. faster than they are folding. Educated youngsters no longer shun the field the way they once did. Some of the newer fields that attract them: mail order, advertising agencies, consulting, personnel agencies, health care businesses and computer services.

By the way, if you are a small business person and don't want your kids turned off on the family enterprise, Cleveland consultant Leon Danco has some advice for you: Don't come home every night and relieve your tension on the family. Instead of telling them what a rough day you had, tell them how good it feels to be your own boss and what satisfaction you received from landing a big new order. "The biggest mistake a lot of small business people make," he says, "is that unintentionally they poison their kids against the business." ■

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen


Market Value of Wilshire 5000: $1,867 billion as of 9/26/85
Wilshire 5000 equity index
The total price of all stocks for which daily quotations are available, weighted by market value.
Dow Jones industrial average
The total price of 30 blue-chip industrial stocks, adjusted to reflect splits.
2000
1750
1500
1250
1000
750
'75 '76 '77 '78 '79 '80 '81 '82 '83 '84 '85
18-month closeup
2000
1750
1500
1250
-1.8
+0.6
Wilshire 5000 P/E: 12.5
Dow Jones P/E: 11.3
S O N D J F M A M J J A S

Dollar plays. On the announcement that the world's central bankers were getting together to push down the dollar, the Dow rallied 18 points in a day. Just as promptly, it marched down again. So, the market remained essentially directionless. Perhaps sensibly so, because no one can be sure what—if anything—the announced collusion will accomplish. U.S. exporters hope that a lower dollar will boost their sales abroad and weaken their competition in the domestic market. But a weak dollar doesn't necessarily make for strong stocks. A weaker dollar would also curtail the inflow of foreign capital going into U.S. stocks. The Wilshire index of 5,500 stocks fell 1.8% during the latest two weeks. The narrower Dow did close the two-week stretch 8 points higher. But this indicator was propped up by Philip Morris' $120 buyout offer for General Foods. The NYSE fell 1.4%; Nasdaq, 3.4%; and the Amex, 2.1%. Without takeover activity, the stock market could as well shut up shop.

Closeup On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	-4.5	-4.1	-1.1	-4.2	-5.3	-5.8
in last 52 weeks	9.4	11.1	8.5	9.0	3.3	12.0

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	-4.9	-4.8	-5.2	-2.7	-6.2	-4.6	-3.3	-4.9	-5.3	-3.2	-3.2	-6.5
in last 52 weeks	12.2	11.0	15.0	24.7	4.8	19.0	18.8	17.5	11.4	21.0	21.2	-0.3

[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

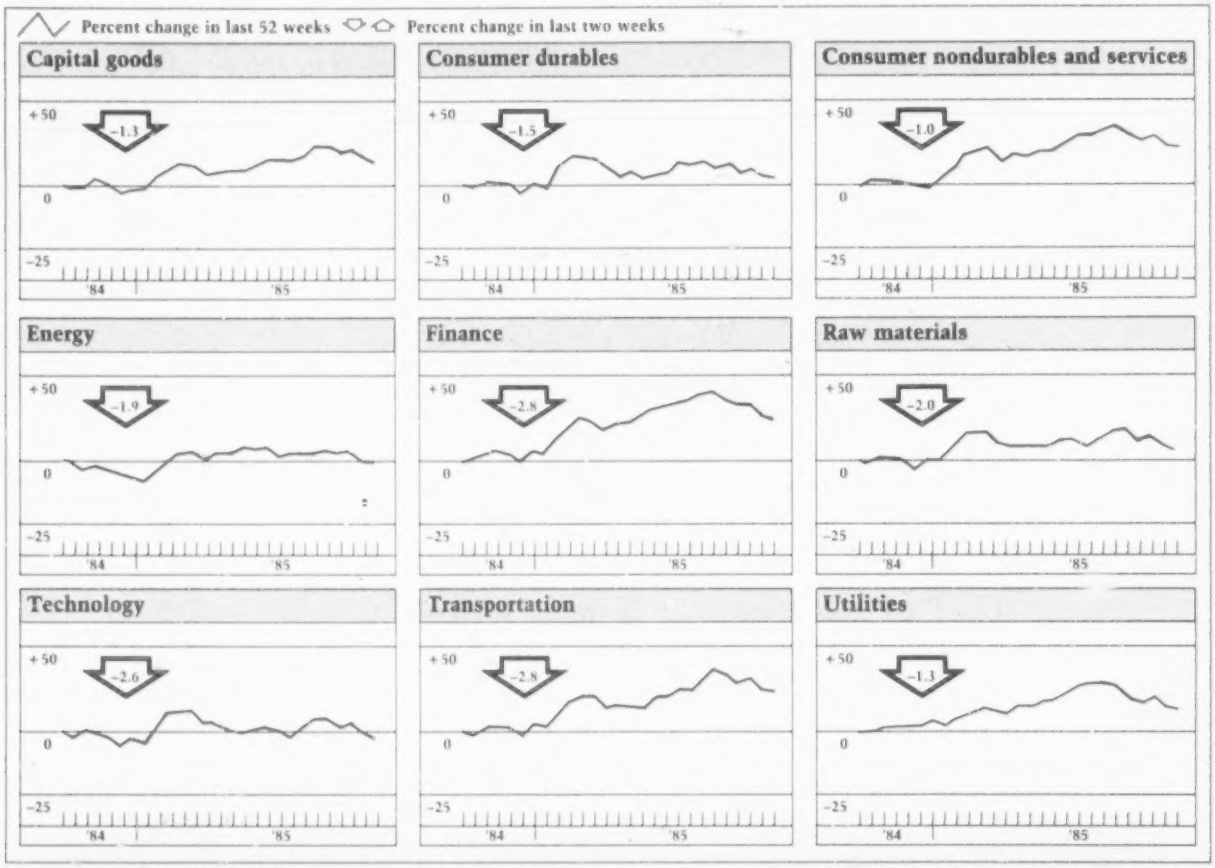
Note: All data for periods ending 9/26/85. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Hard landing. Transportation shares dropped 2.8% in the recent two-week period. Leading this group downward were the airlines, which responded negatively to Wall Street's projections of lower earnings for several major carriers. Eastern Air Lines, hardest hit, fell 14%.

Finance shares fared as poorly as transportation issues. The worst performer, Citizens & Southern, a Georgia-based bank holding company, lost nearly 19%. Investors were concerned about earnings dilution from two recent acquisitions: Landmark Banking, and Citizens & Southern National Bank of South Carolina.

The consumer nondurables sector, down 1%, showed the smallest loss. But this group was propped up by the takeover offer for General foods.



What The Analysts Think

A gloomier outlook for capital goods. Analysts are cutting 1985 earnings estimates virtually across the board, but the capital goods sector continues to show the largest cuts in estimates. Forecasts have become especially pessimistic for such industries as machinery, machine tools, machine parts and agricultural equipment.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	$3.31	11.5
1985 estimates	3.84	9.9
1986 estimates	4.44	8.5

Rank based on change in estimate	Sector	Estimated 1985 EPS	Estimated 1985 P/E	% change in 1985 estimate in 2 weeks	% change in 1985 estimate in 4 weeks
1	Finance	$3.14	9.5	0.00%	0.09%
2	Utilities	3.36	7.6	-0.38	0.04
3	Consumer nondurables	2.38	12.6	-0.49	-0.61
4	Energy	3.46	8.2	-0.92	-1.31
5	Consumer durables	4.82	7.7	-1.19	-1.89
6	Technology	2.49	12.8	-1.57	-1.93
7	Transportation	2.54	10.2	-1.71	-2.01
8	Raw materials	1.87	13.0	-2.17	-3.26
9	Capital goods	2.70	11.2	-4.15	-7.70

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 9/26/85. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.